

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7026**

**BILL NUMBER:** HB 1150

**NOTE PREPARED:** Dec 22, 2004

**BILL AMENDED:**

**SUBJECT:** Recovery of Governmentally Mandated Utility Costs.

**FIRST AUTHOR:** Rep. Lutz

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:**    **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill allows an energy utility to recover through a retail rate adjustment mechanism governmentally mandated costs incurred in providing retail energy service. It provides that the costs may be recovered through a rate adjustment mechanism if the costs result in a cumulative increase in the utility's intrastate regulated total operating expenses or capital costs in an amount that is at least 2% of the utility's authorized net operating income.

**Effective Date:** January 1, 2005 (retroactive).

**Explanation of State Expenditures:** This bill allows an energy utility to petition the Indiana Utility Regulatory Commission (IURC) to use a retail rate adjustment mechanism by which to recover certain governmentally mandated costs. The retail rate adjustment mechanism must be approved by the IURC. While the provisions in this bill could potentially increase the administrative cost and workload of the IURC, it is presumed that any increase will be covered using available resources.

*Background on IURC and OUCC Funding:* The operating budgets of the IURC and the Office of the Utility Consumer Counselor (OUCC) are funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the two agencies' budgets, less reversions, divided by the total amount of gross intra-state operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.10% of their gross intra-state operating revenues to fund the IURC and OUCC. In FY 2004, fees from the utilities and fines generated approximately \$10.6 M.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Indiana Utility Regulatory Commission

**Local Agencies Affected:** Municipally owned utilities.

**Information Sources:**

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